

Chicago Transit Authority

# 1986 Annual Report

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**A NEW FOCUS ON PEOPLE**

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**cta** Chicago Transit Authority





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Now that the Chicago Transit Authority has just turned 40 years old, I would like to present to the public the essentials of CTA's mission, as well as an assessment of this Board's first year of transit leadership.

CTA is the circulatory system of the economic and social life of Chicago. For just one minute, let's imagine Chicago without CTA. Let's think about the masses of extra people driving or commuting to and from Chicago's Central Business District each day. Let's think about street congestion and insufficient parking spaces to absorb the more than half a million extra automobiles. Imagine the stress, the higher accident rate, the increased pollution, the effect on business and jobs. We simply cannot afford it. It would be an economic and social catastrophe for the entire region.

CTA is an enormous system, with thousands of highly skilled employees operating 2,247 buses over 134 routes, and 1,201 rapid transit cars over 6 routes. This endeavor covers over 220 square miles in order to transport 2.1 million passengers every weekday, totaling 640 million passenger trips annually in Chicago and 38 suburbs.

In addition to the 178,500 rail car miles and 231,800 bus miles traveled every day, door to door transportation is provided to elderly and disabled people in substantially higher levels of quality and quantity than in previous years.

Yet CTA must become even more responsive to the needs of the people it serves, both urban and suburban. Currently, a Citizens Advisory Board of community members provides recommendations to the CTA Board on operating and policy issues. Also, survey research will contribute to our understanding of consumer preferences and an expansion of our ridership. This is part of a deliberate attempt of the present administration to change from an operations-driven organization to a market-driven service. Our focus is on people, both the public at large and CTA employees. This administration is committed to improving your public transportation system by providing courteous, safe, comfortable, on time service with clean and inviting vehicles and stations.

The year 1986 was the safest year in CTA history, and our estimates indicate that 1987 will be even better. We are pleased that our policies are producing positive results.

Although CTA labor productivity is the best among the rail systems and second best among the bus systems in the United States, we are still striving for even higher levels of professionalism through a policy of performance evaluation of our employees. A Union Management Committee has already been established to encourage an ambience of positive communication rather than one of confrontation.

This administration has a strong commitment to Affirmative Action which has been formulated and implemented to recruit, hire, train and promote minorities and women to receive equal employment opportunities.

In the same area, the Authority has established a contract policy that protects and promotes minority and women enterprises that do business with CTA.

We take pride in all of these accomplishments, fully realizing that they are the result of dedicated contributions from every man and woman working together for CTA to improve the quality of life for the people of Metropolitan Chicago.

*Walter H. Clark*  
Walter H. Clark  
Chairman

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CHICAGO  
TRANSIT  
BOARD

Natalia Delgado



Walter H. Clark  
Chairman



James I. Charlton







To keep our focus on people, we have laid out our goals for the future along two clearly marked paths; an emphasis on quality service to the passenger and on job satisfaction to the employee.

### **Quality of Service**

CTA recognizes a number of goals which are part of the process of maintaining and improving service quality. The first of these goals, **convenient, on time service**, will, we hope, be realized through a number of new and ongoing programs. We have established an interdepartmental task force which has been given the charge of improving service quality. Other projects include equipment replacement programs, which are geared to providing greater comfort and reliability to the passenger; a greater emphasis on bus maintenance, which is concerned not only with reliability, but also with a pleasant environment; and various innovations in fare instruments or collection, which are designed to afford the passenger greater convenience.

**Passenger safety and security** remain as key goals. The year 1986 saw the return of security patrols on both the rail and bus system. The year also proved to be our safest operational year in history.

**Equitable fares** continue to be a primary goal at CTA. While the Authority was obliged to increase fares in 1986 [primarily because of a statutory requirement to provide

half of its operating cost through the fare box], we are committed to further study of equitable fare structures. To this end, the Authority has acquired federal funding to perform an in-depth study of CTA service and the options open to us in equitable and efficient fare pricing.

CTA will put new emphasis on the identification and fulfillment of passenger needs. We will strive to enlarge our current ridership market, while looking for new opportunities for growth. In 1986, CTA was able to increase its demand responsive service to disabled riders by four-fold. The Authority has launched a number of programs which are designed to identify the changing needs of the city or to open communications with the riding public.

### **Employee Job Satisfaction**

CTA believes that employees, with almost no exceptions, wish to do their jobs well. Our job becomes one of providing an environment in which this can be accomplished. To this end, CTA has initiated programs which will increase training, open communications, and improve the work-place environment.

In summary, the scene has been set for 1987. We have laid out an extensive work plan and hope to begin seeing material results. Our success must be measurable in human terms. No other standard has meaning.

*Robert E. Paaswell*

**Robert E. Paaswell**  
Executive Director

**Milton Holzman**



**Howard C. Medley, Sr.**



**J. Douglas Donenfeld**



**John J. Hoellen**



# OVERVIEW



**T**wenty-four hours a day, 365 days a year, the Chicago Transit Authority (CTA) does a big job, providing service for a total of more than 2 million trips each weekday. In 1986, the total for the year was 611.7 million rides.

Our big job gets done for the benefit of the 3.7 million people in our own service area, through the combined efforts of the Authority's 12,500 CTA employees. By continuously striving to achieve exemplary levels of professionalism and integrity, our employees advance CTA's goal of providing convenient, on-time service while maintaining the highest possible standards of passenger safety and security.

Chicago is one of only a few cities in the world that has transit service around the clock. In the late night and early morning hours, service is provided on nearly all of the rapid transit routes, and about 50 per cent of the bus routes.

CTA, which was created by state legislation, began operating on October 1, 1947, after acquiring the properties of the Chicago Rapid Transit Company and the Chicago Surface Lines. On October 1, 1952, CTA became the sole operator of transit in Chicago when it purchased the Chicago Motor Coach System.

The governing arm of the CTA is the seven member Chicago Transit Board. Four members of the Board are appointed by the Mayor of Chicago, subject to approval by the City Council and the Governor of Illinois; three members are appointed by the Governor, subject to approval by the State Senate and the Mayor of Chicago.

CTA is a substantial component of the Chicago area employment base, the 14th largest employer in Illinois. With a total budget of \$885.9 million, CTA also constitutes a major component of the area's economy.

As an employer, CTA pursues an aggressive Affirmative Action program to recruit, hire, train and promote minorities and women in order to achieve equal employment opportunity. As a participant in the regional economy, it is the policy of CTA that Disadvantaged Business Enterprises (DBE's) and Women Business Enterprises (WBE's) shall participate to the maximum extent feasible in CTA contracts. Overall participation goals of 25% DBE and 5% WBE have been established.

In 1974, after the enactment of state legislation and a referendum, the Regional Transportation Authority was created with jurisdiction over six counties in northeastern Illinois.

One of the prime functions of the RTA is to provide and channel public funds to operators of local transportation in the six-county area as a supplement to fare collections in paying operating expenses. Recipients of this public funding include CTA, the commuter railroads (Metra), and the suburban bus systems (Pace).

CTA compares very favorably with its peer transit agencies across the country. For example, among the 15 largest public transit operators in the United States, CTA derives the highest proportion, 50.2%, of its total operating revenues from passenger fares. CTA has the lowest operating cost per rail vehicle mile among six peer agencies, and the third lowest operating cost per bus vehicle mile among those same peers.

## SERVICE

### Service Area

- Bus and rail service 24 hours a day, 365 days a year.
- Chicago and 38 suburbs (220 square miles).
- Population is 3.7 million.

### Rail

- 143 stations
- 6 routes, plus 1 under construction
- 178,500 rail car miles traveled per day

### Bus

- 12,900 posted bus stops
- 134 bus routes
- 231,800 bus miles traveled per day

### Special Service

- Door-to-door transportation is provided to the disabled.
- Riders are free to choose any of four private carriers. CTA enforces quality control standards and driver training.
- Contracting the services reduced costs by over 50%.

### Suburbanites Use of CTA

- 37.4% of the total transit trips taken by suburbanites are made on the CTA.
- 2,400 CTA/Metra "Link-Up" passes are sold each month to CTA users who reside in the suburbs.
- 87% of the region's transit passenger trips, including transfers, are made on the CTA.



Immediately following are some statistics to give an idea of the size of the job we do and the resources we garner to do it. The rest of the report will tell you more about the people and particulars behind the statistics.

## RESOURCES

### ◇ Budget

- 1987 Total Budget is \$885.9 million.
- 1987 Operating Budget is \$631.4 million.
- 1987 Capital Budget is \$254.5 million.

### ◇ Fleet Size

- Buses = 2,247
- Rail Cars = 1,201

### ◇ Fixed Facilities

- Rail \***
- 6 rapid rail routes
  - 143 stations
  - 215 miles of rail routes--  
48% elevated, 40% ground level,  
and 12% subway
  - 43 electrical substations
  - 10 Park 'n' Ride lots

- Bus \***
- 134 bus routes
  - 2,090 miles of bus routes

- Maintenance/Miscellaneous**
- 9 bus garages
  - 1 bus overhaul shop
  - 11 rail terminals
  - 112 bus turnarounds
  - 25 miscellaneous buildings
  - 1 major facilities maintenance shop

### ◇ Personnel

- Bus Operators	4,698
- Motormen	367
- Conductors	667
- Ticket Agents	628
Subtotal	6,360
- Operations Management, Supervisors, Administration	1,240
- Maintenance	3,800
- Management, Administration, Professional	650
- Support Staff	450
TOTAL	12,500

### ◇ Ridership

- 642 million bus and rail passenger trips annually.
- Total CTA ridership on bus, rail and special service vehicles exceeds 2 million trips each weekday.

#### Rail

- 500,000 weekday passenger trips
- 155.5 million annual passenger trips
- 58.8% of trips are made during peak periods.

#### Bus

- 1.6 million weekday passenger trips
- 486.5 million annual passenger trips
- 50.2% of trips are made during peak periods.
- Buses carry 75% of all CTA trips.

#### Special Service

- Disabled service ridership has increased 382% between 11/85 and 11/86.
- 475,000 one-way trips were made in 1986.
- 700,000 one-way trips are expected in 1987.

### ◇ Major Activity Centers

- CTA's largest market is the Chicago Central Business District, where it serves 65% of the work trips.
- CTA serves other major areas of concentration such as the West Side Medical Complex, O'Hare airport, local universities, sports stadiums, special events and high schools.



## A BETTER RIDE

**CTA** was able to implement several projects in 1986 which not only enhanced the comfort and convenience of our riders, but also improved data collection, eased maintenance, and improved efficiency.

### QUIKPASS

In 1986, CTA also prepared to move from the initial in-house demonstration to partial public implementation of the QuikPass system, designed to ease another bothersome problem: long lines at turnstiles during rush hours. For several years, CTA employees have been using electronically read slide-through passes at the Merchandise Mart rapid transit station. Several different types of readers were tested until a model was found that was thought to be sufficiently reliable to try in public use.

Similar computer-readable monthly passes are now available to the public. Riders need only slide the pass through a slot on top of special turnstiles, installed at some of our busiest stations, to gain admittance. The computer 'remembers' when a pass is used, so the same pass cannot be used again at that station for a specific period of time. Previously, even if a rider had a pass, it still was necessary to wait in line to display it to a ticket agent.

### NEWER TRANSIT CARS

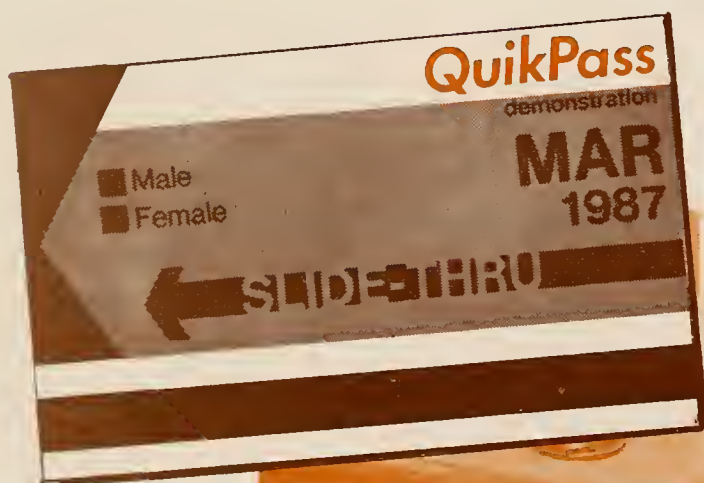
Ten years ago, the average age of CTA's 1,094 rapid transit rail cars was about 17.5 years. If the 320 cars acquired in the mid-to-late 1960's, mainly for the then-new Dan Ryan transit route are not considered, the average age of the cars serving the rest of the system was over 21 years. Through an aggressive program of railcar

replacement, CTA in the past decade has lowered its average fleet age to 11.4 years and increased its fleet size to 1,201 cars.

The old cars, many of them salvaged, rebuilt street-cars, have been replaced with modern, air-conditioned, stainless steel vehicles. All the new cars feature extra-wide, wheelchair-accessible doors, exterior public address systems, vandal-resistant surfaces and other passenger amenities.

### ELECTRONIC FARE BOXES

For several years, one of the most annoying problems for both CTA and its riders was the continued use of outdated bus fare boxes. Since the old boxes were designed to accept only coins, passengers either had to fumble for change or try to stuff in a dollar bill. The boxes would chronically jam with bills, requiring the bus to be taken out of service, thereby inconveniencing riders,







disrupting CTA schedules and losing revenue as dollar bills were torn while attempting to clear the chutes.

In 1986, CTA completed a program of replacing all the old fare boxes with new, electronic devices which not only accepted dollar bills but also gave easy-to-check digital readouts of the amount deposited. The new boxes help us to learn more about our riders by counting and categorizing, by fare type, the boarding passengers. Passenger data is stored in an on-board computer for subsequent direct transfer to a central computer system. Dollar bills are stacked and kept separate from coins, greatly reducing the cost of revenue counting, and minimizing revenue loss.





## SPECIAL SERVICES

In 1986, CTA fully implemented a major change in our provision of special, door-to-door service to the elderly and disabled. The program was a continuation and expansion of the contract service that commenced in October, 1985, replacing CTA-operated Special Service for the disabled.

From 1981 through 1985, CTA operated an in-house Special Services Program, using CTA labor, vehicles and operating facilities, and pro-

viding approximately 12,500 monthly rides. Stimulated by the federal initiative towards privatization and by the desire to provide a greater number of trips to the disabled community, CTA began to explore contract options for providing paratransit service.

In initiating contract paratransit operations, CTA's goal was to maintain the high quality standards of the service operated by CTA while reducing the unit cost of service, thereby permitting the CTA to offer increased service to the disabled community. The decision to operate a paratransit service with private carriers was highly controversial in the disabled community and also met with resistance from CTA labor unions.

In the fall of 1985, contract

paratransit service provided by four private operators was initiated. By the end of 1986, contracted paratransit service was providing slightly more than 51,000 monthly trips. Unit expense to CTA decreased significantly under private operation. The average cost per trip fell from \$28.61 (excluding capital costs) to approximately \$13.25 (excluding administrative costs which are estimated to be approximately 8% of the trip cost) depending on the mix of trip types. Patrons pay only the base bus fare of 90¢.

Another benefit of the contract service was the expansion of weekday service hours from 15 hours to 20 hours per day, and weekend/holiday service hours from 9 hours to 20 hours per day.



## CULTURE BUS

Another very special CTA service is the Culture Bus, operating Sundays and Holidays from Spring through Fall. This service actually consists of three separate routes (North, South and West) serving a wide variety of cultural, recreational and tourist attractions. Basic adult fare is \$2.50 for a Culture Bus Supertransfer, valid on all CTA service on the day it is issued. In 1986, ridership on the Culture Bus exceeded 40,000 persons.

## SPECIAL EVENTS

CTA provides additional or modified service for a wide range of extraordinary events or situations. During the summer, special trips originate at Grant Park following the free, open-air concerts there. Extra bus and rail service is provided for such festivals as Taste of Chicago and the Air and Water Show, and for sporting events at Soldier Field, Comiskey Park, Wrigley Field and the Chicago Stadium. During the holiday season, CTA service is even beefed up to handle Christmas shopping traffic.



# PERSONNEL DEVELOPMENT





Provision of transit services is a person-to-person business. The perceived quality of service often depends on the quality of the interaction between customers and CTA employees. For this reason, CTA has several recognition and incentive programs intended to elicit the best possible performance from each employee, each time service is provided to the public.

## SAFETY

No criterion for service quality is more important than safety. There is no result in which CTA takes greater pride than the fact that in 1986 CTA had the best safety record in its history.

In 1986, there was a record low average of 4.8 bus and rail traffic and passenger accidents per 100,000 miles operated. This compares to 5.0 accidents per 100,000 miles the preceding year, itself a record low for CTA.

By contrast, when CTA was first organized in 1947, there were an average of 20.9 accidents per 100,000 miles.

## EMPLOYEE COMPETITIONS

To encourage our employees to upgrade their skills, to reward those most proficient and to enhance employee morale, CTA conducts the *Bus Roadeo* for bus operators, the *Third Rail RoundUp* for motormen and conductors, the *Ticket Agent TieUp* for rail system ticket agents, and a *Bus Maintenance Roadeo* and *Rail*

### *Maintenance RoundUp.*

In each case, contestants must pass a written examination and demonstrate their operating skills. They are also judged on appearance, condition of their uniforms, communication skills, knowledge and operation of their equipment and their ability to troubleshoot problems.

Bus Roadeo winners receive an expense-paid trip to the American Public Transit Association convention to compete in an international contest. Second through fourth place finishers receive savings bonds. Winners of other employee competitions are rewarded in a similar manner.



## EMPLOYEE SAFETY AND PERFORMANCE PROGRAM

This is CTA's equivalent of the 'quality circle', where line employees are given the opportunity to make suggestions directly to management concerning improvements of CTA service. Each bus garage and rail terminal is divided into teams. Elected team leaders meet with management representatives on a bi-monthly basis, relaying observations and suggestions from their team members based on day-to-day experience on the service delivery level.

Staff from the Instruction and Street Supervision units relay to team leaders information and advice relative to problem areas observed since the preceding meeting. Team leaders, on company time, then circulate through the garage finding their team members and relaying information from the meeting with management.

## STRIVING FOR EXCELLENCE

This is a program which honors employees for outstanding work records, in the most recent case, treating them to an evening at a local restaurant, attended by Mayor Harold Washington. To earn such recognition, operating employees are required to have records with no unexcused absences, chargeable injuries on duty, violations, suspensions on duty, or corrective case interviews, and no more than one chargeable





complaint or non-chargeable accident.

In order to select candidates for the Striving for Excellence recognition, records of all employees assigned to eligible classifications are reviewed by their superintendents and by the operations instruction staff at least twice a year.



## ZAP AWARDS

The Zero Accident Program (ZAP) encourages CTA employees in maintenance areas of garages and terminals to observe proper safety procedures, such as wearing safety goggles, bump hats, safety shoes and gloves where appropriate. Work locations with the lowest accident rates are rewarded with catered luncheons, jackets, caps and other prizes, in return for minimizing the amount of time lost and workers' compensation costs due to injuries on the job.



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## DAY AT CTA

In this program, line employees are selected each month by supervisory staff, on the basis of outstanding performance, to spend a day touring CTA's Merchandise Mart general offices, and to have lunch with top agency management personnel. This serves the dual purpose of honoring these employees and giving management another opportunity to learn from the people delivering service to the public every day.

## RECOGNITION OF COMMENDATIONS

All these programs are designed to improve the quality of service. CTA believes it is important to note our success, as reflected in commendations from our riders. Six times a year, CTA publishes *Transit News*, a magazine distributed to each CTA employee and retiree. All employees who get commendations are acknowledged in the magazine. In each issue, two employees have their pictures included in *Transit News*, and eight commendation-prompting incidents are reported.



# MAINTENANCE



In 1986, CTA launched a pilot bus maintenance program called Operation B.U.S. (Better Ultimate Service). This program, initially implemented at two of CTA's nine bus garages and covering about 600 of the Authority's buses, is intended to meet these goals:

- \* To consistently provide the required buses for service.
- \* To assure all buses in service are graffiti-free, both inside and out.
- \* To assure vehicle reliability, good appearance and overall efficient operation.
- \* To assure vehicles meet the highest possible operational safety standards.

Each vehicle is released for revenue service only after passing a detailed inspection of specific criteria including:

- \* No graffiti inside or out.
- \* All signal lights working.
- \* Horn, mirrors and windshield wipers present and





working.

- \* Destination signs present and working.
- \* Clean dry seats.
- \* Exterior washed, floor swept.
- \* Passenger signal working properly.

The expressed goal of our 3,800 maintenance personnel is to have 100 per cent of the vehicles under Operation BUS meet all these criteria. It is CTA's intention to expand this program to all bus garages in 1988.

In the meantime, CTA has already made significant strides in bus maintenance, in spite of the fleet's advancing age. (Vigorous efforts are underway to renew our bus fleet, as has been done successfully in recent years with our rail fleet). For example, the average interval between road calls has more than doubled, from about 1,600 miles in early 1985 to almost 3,500 by the end of 1986.



# LOOKING AHEAD

**CTA** is planning and building to meet the changing transportation needs of our service area. We have completed the first phase of CTA's first-ever Strategic Management Plan, which will generate detailed, long-range projections of future transportation needs. We are engaged in an on-going Capital Improvement Programming process, addressing not only the maintenance and replacement of existing facilities and equipment, but also the provision of new and expanded service. Our Operations Planning unit constantly monitors CTA service, fine-tuning our routes and schedules to provide the best, most appropriate service possible in an efficient fashion.

cluded ridership patterns and influences, marketing, costs and productivity, funding-- public sources and farebox-- and organizational concerns. The scan produced a list of key issues that would provide a focus for subsequent strategic planning phases.

The objective was to survey the area's transportation horizon to identify those issues, whether external, internal or a combination of the two, which are of long-term importance to the CTA. The environmental scan process was one that was broad, but not necessarily deep. Thus, it was planned that the issues so identified will be further analyzed in Phases II and III of the strategic planning process.

Phase II, now underway, will define the role of strategic planning within the Authority's organization. It will more clearly delineate functional relationships such as those among the planning process, management decision-making, capital investment programming and operations. An inventory of organizational goals will be

established through interviews with CTA management and staff, and plans will be developed for attainment of these goals.

Phase III will be the subsequent development and implementation of a strategic planning process at the CTA, and the monitoring of plan performance.

## CAPITAL IMPROVEMENT PROGRAMMING

Although CTA's capital program, of necessity, concentrates on maintaining and replacing existing facilities and equipment, we are also in the midst of several exciting new projects.

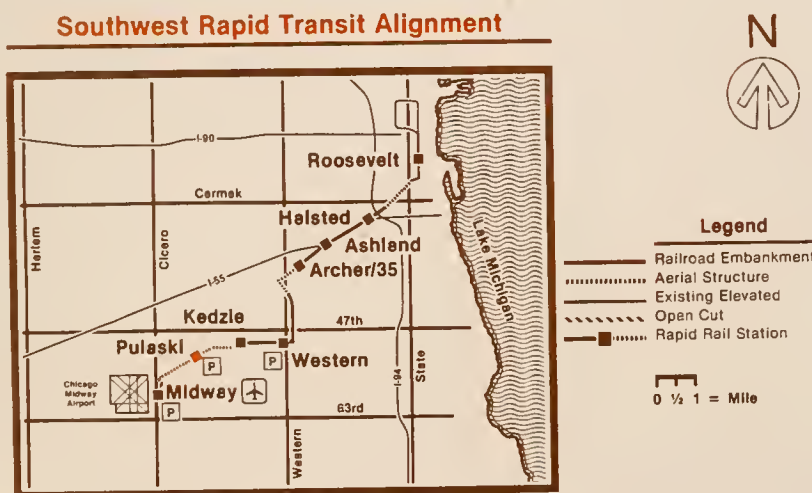
## 16 THE STRATEGIC PLAN

Phase I of the Strategic Planning Management Plan (the environmental scan) identified the most important strategic issues that will be confronting CTA over the next several years. These in-

### SOUTHWEST RAPID TRANSIT LINE

Construction was recently begun on the Southwest Rapid Transit Line which, when completed, will fill the last major gap in CTA's rail system. The line will provide high-speed transit service over a 9.2-mile route between the Loop and Midway Airport. This will be a significant improvement in the quality of service in this corridor, currently served only by express and local bus service. The new route, expected to cost about \$496 million, will include eight stations and will use mainly existing railroad right-of-way, minimizing commercial and residential displacement. Completion is scheduled for 1993.

Southwest Rapid Transit Alignment







### **HOWARD-DAN RYAN THROUGH ROUTE**

Construction also is under-way on a project which, when completed, will relieve one of CTA's most severe problems, lack of peak-hour capacity on the Dan Ryan rapid transit line. The present pairing of transit lines--Howard with Jackson Park/Englewood and Dan Ryan with Lake--requires Dan Ryan trains to operate over the elevated Loop in the central business district, sharing track with Ravenswood and Evanston trains. Due to limited track capacity, fewer Dan Ryan trains than needed can be scheduled. This causes significant overloading of the Dan Ryan cars in the peak rush hour periods. By rerouting Jackson Park/Englewood trains out of the subway and onto the elevated Loop, Dan Ryan trains could be operated through the State Street Subway as closely as two minutes apart, providing an increase in car service of over 30 per cent.

This new arrangement will also enable CTA to realize significant cost savings by pairing the two most heavily used lines [Dan Ryan and Howard], and by pairing two less highly used lines [Lake Street and Englewood/Jackson Park]. Currently, excess capacity must be operated on the Lake Street and Englewood/Jackson Park lines, to meet with demands of their more heavily used 'partners'.

### **STATION IMPROVEMENT**

Several rapid transit stations are scheduled for major improvements. The restoration of the Quincy/Wells Station to its vintage appearance is nearing completion. The renovation of the Adams/Wabash Station is underway. The Merchandise Mart Station will be completely replaced, along with the Wells Street viaduct.

### **CENTRAL AREA TRANSIT**

In addition to service monitoring activities, CTA is about to begin a major reassessment of its downtown route structure as part of studies involving the City of Chicago and several other agencies and organizations. This is in response to the continued rapid growth in Chicago's central area as evidenced by booming office and residential development.

Since 1979, the amount of office space in the Central Area has increased by nearly a third due to new construction. A total of more than 15,000 residential units have also been built in the downtown area over that time period. Because much of this growth is at the fringes of the Central Area, extending its effective boundaries, the need for good transit service within this area is also changing rapidly. CTA will be studying options for improving and expanding transit to meet these needs.

## BALANCE SHEETS

<b>ASSETS</b>	<b>December 27 1986</b>	<b>December 28 1985</b>
<b>CURRENT ASSETS</b>		
Cash and investments—Notes B and E:		
Working cash and temporary investments, including amounts required to be transferred to the damage reserve	\$78,648,320	\$71,459,760
Restricted cash	32,268,056	—
	<u>110,916,376</u>	<u>71,459,760</u>
Grants receivable:		
From the RTA—Note C	66,201,603	35,818,121
Capital improvement projects from federal and state sources	12,459,404	24,693,769
	<u>78,661,007</u>	<u>60,511,890</u>
Accounts and miscellaneous grants receivable	12,553,064	7,375,600
Materials and supplies	50,341,168	46,614,031
Prepaid expenses and other assets	1,643,446	1,436,871
<b>TOTAL CURRENT ASSETS</b>	<b>254,115,061</b>	<b>187,398,152</b>
<b>OTHER ASSETS</b>		
Investments relating to employee benefit plans:		
Employees' deferred compensation plan—Note F	66,643,661	55,219,861
Supplemental retirement plan, at cost which approximates market—Note J	3,182,494	2,680,691
	<u>69,826,155</u>	<u>57,900,552</u>
Grant receivable from the RTA— Note C	—	78,173,194
<b>TOTAL OTHER ASSETS</b>	<b>69,826,155</b>	<b>136,073,746</b>
<b>TRANSPORTATION PROPERTY AND EQUIPMENT—Note G</b>		
Land	17,413,390	16,969,014
Rail system	1,024,856,967	920,460,419
Bus system	322,883,811	300,702,122
Common and other	57,941,558	55,433,433
Progress payments on rail cars	6,554,526	13,813,804
	<u>1,429,650,252</u>	<u>1,307,378,792</u>
Less allowance for depreciation	(436,578,130)	(366,777,317)
<b>TOTAL TRANSPORTATION PROPERTY AND EQUIPMENT</b>	<b>993,072,122</b>	<b>940,601,475</b>
<b>TOTAL ASSETS</b>	<b>\$1,317,013,338</b>	<b>\$1,264,073,373</b>



## LIABILITIES AND PUBLIC INVESTMENT

	December 27 1986	December 28 1985
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$43,628,072	\$51,968,500
Current portion of accrued payroll and related expense	47,803,778	44,068,263
Due City of Chicago	7,022,354	6,727,833
Deferred passenger revenue	4,588,519	4,101,775
Advances, deposits and other	15,886,216	3,179,207
Estimated current portion of injury and damage reserve—Note E	9,600,000	8,000,000
Current portion of pension note payable and accrued interest—Note I	8,464,925	8,469,953
Current portion of deferred operating assistance—Note C	34,383,743	7,322,961
Revenue anticipation notes payable and accrued interest—Note K	40,964,785	40,519,773
<b>TOTAL CURRENT LIABILITIES</b>	<b>212,342,392</b>	<b>174,358,265</b>
<b>NONCURRENT LIABILITIES</b>		
Accrued payroll and related expenses, less current portion	20,000,000	20,507,030
Injury and damage reserve, less current portion—Note E	21,855,530	16,105,451
Employees' deferred compensation plan—Note F	66,643,661	55,219,861
Long-term pension liability—Note I: Note payable, less current portion	—	8,462,701
Accrued pension cost	94,287,381	76,066,920
	94,287,381	84,529,621
Deferred operating assistance, less current portion—Note C	—	35,171,854
Supplemental retirement plan—Note J	3,073,811	2,531,238
Other long-term liabilities	20,135,607	19,685,607
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>225,995,990</b>	<b>233,750,662</b>
<b>TOTAL LIABILITIES</b>	<b>438,338,382</b>	<b>408,108,927</b>
<b>PUBLIC INVESTMENT</b>		
Contributed capital—Note G	1,432,651,995	1,311,182,135
Less allowance for depreciation of contributed transportation property and equipment	(426,709,016)	(362,040,519)
	1,005,942,979	949,141,616
Accumulated deficit	(127,268,023)	(93,177,170)
<b>TOTAL PUBLIC INVESTMENT</b>	<b>878,674,956</b>	<b>855,964,446</b>
	<b>\$1,317,013,338</b>	<b>\$1,264,073,373</b>

See notes to financial statements.

## STATEMENTS OF OPERATIONS

	Fiscal Year Ended	
	December 27 1986	December 28 1985
<b>OPERATING EXPENSES</b>		
Labor	\$455,103,922	\$462,146,037
Materials and supplies	47,921,091	51,250,828
Fuel for revenue equipment	11,798,520	20,153,659
Electric power for revenue equipment	22,862,543	20,654,660
Provision for injuries and damages	24,200,000	15,500,000
Maintenance and repairs, utilities, rent and other	41,765,977	35,398,470
	<u>603,652,053</u>	<u>605,103,654</u>
Provision for depreciation	68,995,744	44,204,849
Interest expense	2,670,602	3,886,820
	<u>675,318,399</u>	<u>653,195,323</u>
<b>SYSTEM-GENERATED REVENUE</b>		
Passenger transportation:		
Fare receipts	300,450,051	273,015,625
Charter service	724,804	595,651
	<u>301,174,855</u>	<u>273,611,276</u>
Advertising concession and other	6,453,401	5,742,446
Interest income	6,229,309	7,260,257
Contributions from local governmental units	5,000,000	5,000,000
Sale of tax benefits—Note L	3,815,254	4,040,015
	<u>322,672,819</u>	<u>295,653,994</u>
<b>OPERATING EXPENSES IN EXCESS OF SYSTEM-GENERATED REVENUE</b>	<b>352,645,580</b>	<b>357,541,329</b>
<b>PUBLIC FUNDING FROM RTA—Note C</b>		
Operating assistance	268,343,304	289,347,823
Reduction of amounts receivable relating to prior years' operating assistance	(14,457,074)	—
	<u>253,886,230</u>	<u>289,347,823</u>
<b>NET LOSS</b>	<b><u>\$98,759,350</u></b>	<b><u>\$68,193,506</u></b>
<b>DISPOSITION OF NET LOSS</b>		
Net Loss	\$98,759,350	\$68,193,506
Add credit arising from transfer of provision for depreciation of transportation property and equipment acquired from grants to contributed capital	64,668,497	40,590,950
<b>NET LOSS TRANSFERRED TO ACCUMULATED DEFICIT</b>	<b><u>\$34,090,853</u></b>	<b><u>\$27,602,556</u></b>



## STATEMENTS OF PUBLIC INVESTMENT

	Contributed Capital				Accumulated Deficit
	Federal	State	Other	Total	
<b>Balance at December 29, 1984</b>	<b>\$521,536,577</b>	<b>\$132,881,669</b>	<b>\$164,777,625</b>	<b>\$819,195,871</b>	<b>\$(65,574,614)</b>
Net loss for 1985 charged to accumulated deficit					(27,602,556)
Transfer of provision for depreciation of transportation property and equipment acquired from grants	(31,981,610)	(7,440,321)	(1,169,019)	(40,590,950)	
Contributions for transportation property and equipment additions and improvements—Note G	<u>129,579,284</u>	<u>31,225,361</u>	<u>9,732,050</u>	<u>170,536,695</u>	
<b>Balance at December 28, 1985</b>	<b>619,134,251</b>	<b>156,666,709</b>	<b>173,340,656</b>	<b>949,141,616</b>	<b>(93,177,170)</b>
Net loss for 1986 charged to accumulated deficit					(34,090,853)
Transfer of provision for depreciation of transportation property and equipment acquired from grants	(50,887,640)	(11,905,470)	(1,875,387)	(64,668,497)	
Contributions for transportation property and equipment additions and improvements—Note G	<u>94,712,132</u>	<u>23,082,847</u>	<u>3,674,881</u>	<u>121,469,860</u>	
<b>Balance at December 27, 1986</b>	<b><u>\$662,958,743</u></b>	<b><u>\$167,844,086</u></b>	<b><u>\$175,140,150</u></b>	<b><u>\$1,005,942,979</u></b>	<b><u>\$(127,268,023)</u></b>

See notes to financial statements.

## STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Fiscal Year Ended	
	December 27 1986	December 28 1985
<b>FROM OPERATIONS</b>		
Operating expenses in excess of system-generated revenue	\$(352,645,580)	\$(357,541,329)
Add (deduct) items not affecting working cash:		
Provision for depreciation	68,995,744	44,204,849
Increase in accrued pension costs	18,220,461	25,367,144
Increase in injury and damage reserve	7,350,079	193,973
Increase (decrease) in accounts payable and accrued liabilities	(5,111,943)	30,289,012
Increase in materials and supplies inventory	(3,727,137)	(6,144,586)
Decrease (increase) in grants and accounts receivable	54,846,613	(19,670,377)
<b>USE OF WORKING CASH FROM OPERATIONS WITHOUT PUBLIC FUNDING</b>	<b>(212,071,763)</b>	<b>(283,301,314)</b>
Public funding from the RTA:		
Operating assistance	268,343,304	289,347,823
Reduction of amounts receivable relating to prior years' operating assistance	(14,457,074)	—
<b>INCREASE IN WORKING CASH FROM OPERATIONS</b>	<b>41,814,467</b>	<b>6,046,509</b>
<b>FINANCING AND CAPITAL PROJECT ACTIVITIES</b>		
Issuance of working cash notes	40,000,000	80,000,000
Retirement of working cash notes	(40,000,000)	(40,000,000)
Payment of pension note payable and accrued interest	(8,467,729)	(9,106,246)
Grants for capital improvements	121,469,860	170,536,695
Additions to transportation property and equipment and deposits on property, net of retirements	(121,466,392)	(170,579,027)
	<b>(8,464,261)</b>	<b>30,851,422</b>
<b>OTHER SOURCES (APPLICATIONS)</b>		
Increase (decrease) in deferred operating assistance	(8,111,072)	7,322,961
Increase in restricted cash	(32,268,056)	—
Increase in advances and deposits	12,707,006	67,297
Other	1,510,476	3,141,773
	<b>(26,161,646)</b>	<b>10,532,031</b>
<b>INCREASE IN WORKING CASH</b>	<b>7,188,560</b>	<b>47,429,962</b>
Working cash at beginning of year	71,459,760	24,029,798
<b>WORKING CASH AT END OF YEAR</b>	<b>\$78,648,320</b>	<b>\$71,459,760</b>

See notes to financial statements.



## NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended December 27, 1986 and December 28, 1985

### ● NOTE A—ORGANIZATION DATA AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Chicago Transit Authority ("CTA") was formed in 1945 pursuant to the Metropolitan Transportation Authority Act passed by the Illinois legislature. The CTA was established as an independent governmental agency (an Illinois municipal corporation) "separate and apart from all other government agencies" to consolidate Chicago's public and private mass transit carriers. The City Council of the City of Chicago has granted the CTA the exclusive right to operate a transportation system for the transportation of passengers within the City of Chicago.

#### Financial Reporting Entity:

In conformance with Governmental Accounting Standards Board standards, the CTA includes in its financial statements all funds over which the Chicago Transit Board exercises oversight responsibility. Oversight responsibility was defined to include the following considerations: selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, the scope of an organization's public service, and/or special financing relationships.

Based on the application of the above criteria, the fund established for the employee's pension plan has been determined not to be part of the reporting entity. The fund is a legal entity separate and distinct from the CTA. It is administered by its own Board of Trustees over which the CTA has no authority. Accordingly, the accounts of this fund are not included in the accompanying financial statements.

#### Basis of Presentation:

The operations of the CTA are accounted for on a proprietary fund basis. The proprietary fund basis is used to account for CTA operations because they are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and the periodic determination of revenues earned, costs incurred, and/or net income is appropriate.

#### Basis of Accounting:

The CTA's operations are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred.

#### Investments:

Investments are stated at cost, which approximates market. Adjustments are made to cost, for any premium or discount, which are amortized over the maturity of the investment.

#### Materials and Supplies:

Materials and supplies inventories are stated at the lower of cost or market value, net of allowances for excess and obsolete inventory. The CTA uses the average cost method to determine the cost of such inventories.

#### Transportation Property and Equipment and Depreciation:

Transportation property (including major improvements) and equipment are recorded at cost. The cost of maintenance and repairs is charged to operations as incurred. The cost of transportation property sold or otherwise disposed of and the related allowance for depreciation are eliminated from the accounts and the gain or loss is offset against the allowance for depreciation.

The provision for depreciation of transportation property and equipment is calculated under the straight-line method at amounts based on the respective estimated lives of major asset classifications.

Included in the transportation system operated by CTA are certain facilities owned by others. The CTA has the exclusive right to operate these facilities under the terms of the authorizing legislation and various long-term leases and other agreements.

#### Retirement Plan:

The CTA has a retirement plan for all employees with service greater than one year. Pension expense recorded by the CTA includes provision for current service costs and the amortization of past service cost over a period of approximately 30 and 25 years, respectively, for 1986 and 1985.

Continued

## NOTES TO FINANCIAL STATEMENTS

### NOTE A—ORGANIZATION DATA AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

—Continued

#### Sale of Tax Benefits:

The CTA records, as current income, the net proceeds received from the sale of tax benefits of buses and rail cars.

#### Reclassifications:

Certain amounts in the 1985 financial statements have been reclassified to conform with the 1986 presentation.

### ● NOTE B—CASH AND INVESTMENTS

At December 27, 1986, the carrying amount of the CTA's deposits was a credit of \$2,812,135 and the bank balance was approximately \$4,307,000. Of the bank balance, \$436,000 was covered by federal depository insurance and \$3,871,000 was uninsured and uncollateralized.

Chapter 85, Section 902 of the Illinois Revised Statutes authorizes the CTA to invest in obligations of the United States Treasury and United States agencies, direct obligations of any bank, commercial paper rated within the three highest classifications set by two standard rating services, or money-market mutual funds investing in obligations of the United States Treasury and United States agencies.

The CTA's investments at year-end were entirely covered by a master trust agreement with a custodial bank. Under the terms of this agreement, the custodial bank or its correspondent holds all instruments. All instruments except commercial paper are entirely covered by collateral held by the CTA's custodial bank in the CTA's name.

The CTA's cash and investments at year-end are as follows:

	Book Amount	Market Value
Repurchase agreements	\$22,500,000	\$22,500,000
Commercial paper	73,146,363	72,996,675
Certificates of deposit	18,082,148	18,082,148
Cash	113,728,511 (2,812,135)	<u>\$113,578,823</u>
		<u>\$110,916,376</u>

The CTA has restricted cash balances which represent either advances from third-party funding sources or significant amounts for specific purposes. The components of restricted cash are as follows:

	1986
Monies committed for capital expenditures	\$13,144,817
Due to CTA Employee Retirement Plan	9,175,782
Due to governmental units	6,726,931
Due to funding agencies	2,660,883
Revenue anticipation notes payment fund	487,500
Damage reserve—Note E	72,143
	<u>\$32,268,056</u>

### ● NOTE C—RELATIONSHIP WITH REGIONAL TRANSPORTATION AUTHORITY

In November 1983, the Regional Transportation Authority Act ("Act") was amended by state legislation to provide for funding of public transportation in the six-county region of Northeastern Illinois. The legislation reorganized the Regional Transpor-

Continued



## NOTES TO FINANCIAL STATEMENTS

tation Authority ('RTA') by establishing a regional oversight board (RTA) and three service boards (Chicago Transit Authority, Commuter Rail Board and Suburban Bus Board). The amended Act requires, among other things, that the RTA approve the annual budget of the CTA, that the CTA obtain agreement from local governmental units to provide an annual monetary contribution of at least \$5,000,000 for public transportation and that the CTA (collectively with the other service boards) finance at least 50% of their operating costs, excluding depreciation and certain other items, from system generated sources.

The amended Act defines the sources of funding to the RTA. Under the amended Act, each service board is entitled to a portion of the funds received by RTA. The allocation of these funds to each service board is based on various methods as defined in the Act. For fiscal years 1986 and 1985, the CTA's allocations of funds received from the RTA were \$297,257,008 and \$308,475,000, respectively, of which \$268,343,304 and \$289,347,823 were used to fund the 1986 and 1985 operating deficits. In addition, \$15,218,216 of CTA's 1985 allocation was used to fund certain capital expenditures. The remaining amounts (1986—\$28,913,704; 1985—\$3,908,961) have been deferred and will be used in future years for working capital purposes or for the provision or benefit of transportation in the metropolitan region.

On September 25, 1987, the CTA and RTA entered into a settlement agreement resolving claims against the RTA for prior years' operating assistance. As a result of this agreement, the CTA has reduced amounts receivable from the RTA by \$48,067,850, which resulted in a charge to 1986 operations of \$14,457,074 and a reduction in deferred operating assistance of \$33,610,776.

The components of the grants receivable from the RTA are as follows:

	1986	1985
Operating assistance:		
1986 fiscal year	\$166,208	—
1985 fiscal year	—	26,039,870
1984 fiscal year and prior	<u>30,330,000</u>	<u>44,787,074</u>
	30,496,208	70,826,944
Deferred operating assistance:		
1986 fiscal year	28,913,704	—
1985 fiscal year	3,908,961	7,322,961
1984 fiscal year	<u>1,561,078</u>	<u>35,171,854</u>
	34,383,743	42,494,815
Capital improvements projects	<u>1,321,652</u>	<u>669,556</u>
<b>TOTAL GRANTS RECEIVABLE FROM RTA</b>	<b><u>\$66,201,603</u></b>	<b><u>\$113,991,315</u></b>

### ● NOTE D—RELATIONSHIP WITH THE CITY OF CHICAGO

In 1981 the CTA represented to the City of Chicago ('City') that it would be unable to continue to fulfill its obligations under its franchise agreement without additional public funding. On August 1, 1981, the City and the CTA entered into a Financial Assistance Agreement ('Agreement') under which the City agreed to grant to the CTA a sum equal to the difference between (a) the public funding requirements of the CTA, as defined in the RTA Financial Assistance Grant Agreement, dated August 1, 1981, ('1981 RTA Agreement'), and (b) the sum equal to the funds provided by the RTA to CTA pursuant to the RTA Agreement, provided that the aggregate sum paid by the City to the CTA would not exceed \$100 million for the period ended December 31, 1981, or thereafter exceed such funds as appropriated by the City Council. The grant is to be used by the CTA in providing public transportation services during the grant period. In

## NOTES TO FINANCIAL STATEMENTS

1981 the CTA received a grant of \$20 million. In the event the CTA's own cash resources exceed existing or projected cash requirements, the City may demand and shall be entitled to repayment of any grant under the Agreement. This Agreement was terminated as a result of the termination of the 1981 RTA Agreement and therefore no additional monies are available under the Agreement. No additional funds have been received since 1981. In 1982 the RTA paid the City \$3 million toward the repayment of this grant.

### ● NOTE E—DAMAGE RESERVE

Chapter III 2/3, section 339 of the Illinois Revised Statutes requires the CTA to establish a damage reserve in order to provide for the adjustment, defense, and satisfaction of all suits, claims, demands, rights and causes of action and the payment and satisfaction of all judgments entered against the CTA for damages caused by injury to or death of any person and for damages to property resulting from the construction, maintenance and operation of the transportation system.

Management has estimated that the damage reserve liability as of December 27, 1986 and December 28, 1985 should approximate \$44 million and \$45 million, respectively, however, the CTA has only recorded a liability of \$31 million and \$24 million, respectively. No additional provision has been made in the financial statements since management believes that an additional provision would need to be determined and approved in the budgetary process.

The statute also requires the CTA to separately fund the damage reserve. In recent years the CTA has sought to conserve its cash resources and protect against delays in the receipt of operating assistance and it is the present policy of the CTA to make transfers from the working cash account into the damage reserve fund only when required to meet current obligations. At December 27, 1986 and December 28, 1985, working cash and temporary investments amounting to \$31,383,387 and \$24,105,451, respectively, would need to be transferred to restricted cash in order to separately fund the damage reserve. See Note B regarding amounts maintained in this fund.

The CTA has entered into a Loss Financing Plan ("Plan") with the RTA that permits the CTA to receive monies necessary to pay damages and losses in excess of \$2.5 million up to a maximum of \$47.5 million from a fund established by the RTA. The CTA is obligated to reimburse the fund for any damages paid, however, in no event shall reimbursement payments exceed \$3.5 million in any one year. As of December 27, 1986, the CTA has not used the Plan to pay any damages or losses.

### ● NOTE F—EMPLOYEES' DEFERRED COMPENSATION PLAN

The CTA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all CTA employees, permits deferral of a portion of compensation until future years. The deferred amount is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the CTA (without being restricted to the provisions of benefits under the plan), subject only to the claims of the CTA's general creditors. Participants' rights under the plan are equal to those of general creditors of the CTA in an amount equal to the fair market value of the deferred amount for each participant.

It is the opinion of the CTA's plan counsel that the CTA has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The CTA believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Participating employees may request that their deferred compensation be invested, at the discre-



## NOTES TO FINANCIAL STATEMENTS

tion of the CTA, in any of several investment funds. The recorded amounts are stated at aggregate fair market value of such investment funds. All costs and expenses of administering the plan are borne by the participants.

Plan activity was as follows:

	1986	1985
Balance at beginning of year	\$55,219,861	\$46,656,037
Additions (deductions):		
Employee contributions	13,192,559	7,160,261
Plan earnings	2,659,423	5,557,236
Administrative expenses	(95,288)	(95,544)
Employee withdrawals	(4,332,894)	(4,058,129)
Balance at end of year	<u>\$68,643,661</u>	<u>\$55,219,861</u>

### ● NOTE G—TRANSPORTATION PROPERTY AND EQUIPMENT

Additional information with respect to transportation property and equipment of the CTA is as follows:

	1986	1985
Funding source:		
Federal (principally DOT-UMTA)	\$955,339,565	\$852,475,373
State (principally Illinois DOT)	224,158,410	199,195,647
City of Chicago	112,002,284	110,515,544
CTA (generally prior to 1973)	124,041,347	134,561,685
Other	14,108,646	10,630,543
	<u>\$1,429,850,252</u>	<u>\$1,307,378,792</u>
Type of property:		
Land	\$17,413,390	\$16,969,014
Buildings	229,494,552	213,010,403
Elevated structures, tracks, tunnels and power system	341,265,952	321,264,299
Transportation vehicles	695,345,056	607,060,597
Signals	81,635,218	79,827,243
Common and other	57,941,558	55,433,432
Progress payments on rail cars	6,554,526	13,813,804
	<u>\$1,429,850,252</u>	<u>\$1,307,378,792</u>

As of December 27, 1986, the CTA has capital grant contracts with the federal Department of Transportation, Urban Mass Transportation Administration (DOT-UMTA) and with the State of Illinois Department of Transportation (Illinois DOT) under the Transportation Bond Act for approximately \$1.4 billion. Under these contracts the CTA is acquiring additional rapid transit cars as well as renewing and improving various portions of track structures and related operating systems. It is anticipated that DOT-UMTA will finance approximately 80% of the total cost of these projects, with the balance of the cost being financed principally by the Illinois DOT. Through December 27, 1986, approximately \$1.1 billion has been expended by the CTA under these capital grant contracts, and substantial commitments have been entered into for the remainder.

### ● NOTE H—DUE CITY OF CHICAGO

Under certain operating and lease agreements with the City of Chicago, the CTA is obligated to make payments for the purpose of reimbursing the City of Chicago for expenditures made in equipping some of the related facilities. The annual rental expense under these agreements (\$295,424 in 1986 and \$294,521 in 1985) has been reflected in the financial statements of the CTA as operating expenses subject to reimbursements by the RTA.

### ● NOTE I—PENSION PLAN

Under the terms of the CTA Pension Plan Agreement, as amended, the CTA is required to contribute 5% (6% effective the first full pay period on or after January 1, 1987) of compensation costs to a contributory defined benefit retirement plan for the benefit of all nontemporary employees. Employees with service greater than one year will be required to contribute 1% of their compensation to the Plan effective the first full pay period on or after January 1, 1987.

The charge to operations for 1986 and 1985 pension expense was \$29,267,692 and \$29,224,448, respectively, on the basis of actuarial assumptions as follows: (1) interest at 8.25% and 7% per an-

Continued

## NOTES TO FINANCIAL STATEMENTS

**NOTE I—PENSION PLAN**—Continued  
 num, respectively, (2) salary scale at 5% per annum, and (3) period for amortization of past service cost of approximately 30 and 25 years, respectively.

Accumulated benefit information of the plan, as estimated by consulting actuaries, and plan net assets, are approximately as follows:

	January 1 1986	January 1 1985
Actuarial present value of accumulated benefits:		
Vested	\$513,032,000	\$432,729,000
Nonvested	128,139,000	97,209,000
	<u>\$641,171,000</u>	<u>\$529,938,000</u>
Net assets available for benefits (including note receivable from the CTA)	<u>\$870,778,000</u>	<u>\$802,110,000</u>

The 1986 plan amendment for change in pension benefits and hospitalization reimbursement had the effect of increasing the actuarial present value of accumulated benefits by \$136,139,000. The change in the actuarial assumptions for certain interest rate changes had the effect of increasing the actuarial present value of accumulated benefits by \$53,166,000.

The CTA has a note payable to the Chicago Transit Authority Employee Pension Plan for 1981 pension contributions. The principal balance is payable in monthly installments of \$701,268. Interest accrues on the unpaid principal at the rate of 5% per annum and is paid semiannually. As of December 27, 1986 and December 28, 1985, the unpaid balance of principal and interest due on the note was \$8,464,925 and \$16,932,654, respectively.

### ● NOTE J—SUPPLEMENTAL RETIREMENT PLAN

Members of the Chicago Transit Board and certain officers, executives, supervisory and professional employees of the CTA are covered by a supplemental defined benefit retirement plan in addition to their participation in the Chicago Transit Authority Employee Pension Plan (see Note I). The 1986 charge to operations for the supplemental retirement plan was \$967,500 on the basis of actuarial assumptions as follows: (1) interest at 7%

per annum, (2) salary scale at 5% per annum, and (3) period for amortization of past service cost of approximately 30 years. In 1985, no actuarial valuation was made for the supplemental retirement plan. The 1985 charge to operations for the supplemental retirement plan was \$580,535. Accumulated benefit information of the plan, as estimated by consulting actuaries, and plan net assets, are approximately as follows:

	January 1 1986
Actuarial present value of accumulated benefits:	
Vested	\$6,477,000
Nonvested	282,000
	<u>\$6,759,000</u>
Net assets available for benefits	<u>\$3,182,000</u>

### ● NOTE K—NOTES PAYABLE

On July 10, 1986, \$40,000,000 of 4 7/8% Revenue Anticipation Notes, Series 1986 ("Notes") were issued for the purpose of covering temporary monthly cash flow deficits and are in anticipation of certain revenues to be derived from sales and related taxes as allocated to the CTA by the Regional Transportation Authority Act. The Notes are secured by a pledge of the CTA's full faith and credit and certain allocated sales tax revenues. The Notes are guaranteed under an irrevocable letter of credit. The notes will mature on July 10, 1987 with interest payable semiannually on January 10, 1987 and July 10, 1987.

### ● NOTE L—SALE OF TAX BENEFITS

Since 1982, the CTA has entered into agreements with outside entities to sell and lease back, for tax purposes, a percentage interest in 597 rail cars and 726 buses. The transactions represent the sale of future tax benefits relating to depreciation of revenue vehicles under the guidelines of section 168(f)(8) of the Internal Revenue Code.

Under the terms of the agreements, should any revenue vehicle identified in the contract be retired from service prior to the end of the lease period, a portion of the proceeds would be required to be refunded to the buyer.

### ● NOTE M—CONTINGENCIES

The CTA is party to numerous legal proceedings arising in the normal course of operations. Resolution of all legal proceedings are not, in the opinion of the management, likely to have a material adverse impact on the CTA's financial position.



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Chicago Transit Board  
Chicago Transit Authority  
Chicago, Illinois

We have examined the balance sheets of the Chicago Transit Authority ["Authority"] [an Illinois municipal corporation] as of December 27, 1986 and December 28, 1985, and the related statements of operations, public investment and changes in financial position for the fiscal years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note E to the financial statements, the Authority is a defendant in various lawsuits and has various claims pending against it for injuries and damages resulting from operation of the transportation system for which the management of the Authority estimates a liability in excess of recorded amounts of approximately \$13 million as of December 27, 1986 and \$21 million as of December 28, 1985.

Our report dated May 29, 1986 on the 1985 financial statements was qualified with respect to the effects on the 1985 financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty relating to the realization of amounts receivable from the RTA been known. As discussed in Note C to the financial statements, the Authority and RTA subsequently entered into a settlement agreement resolving claims against the RTA for funding of prior years' operating assistance. Accordingly, our present opinion on the 1985 financial statements, as presented herein, is different from that expressed in our previous report.

Our report dated May 29, 1986 on the 1985 financial statements was also qualified with respect to the effects on the 1985 financial statements of such adjustments, if any, as might have been determined had the Authority substantiated the supporting documentation for the recorded cost of certain contributed property. The net book value of the contributed property is not considered material to the 1986 financial statements.

In our opinion, except for the understatement of the liability for claims and lawsuits as discussed in the third preceding paragraph and except for the effect on the 1985 financial statements, if any, as might have been determined had the Authority substantiated the supporting documentation for the recorded cost of certain contributed property discussed in the preceding paragraph, the financial statements referred to above present fairly the financial position of the Chicago Transit Authority at December 27, 1986 and December 28, 1985, and the results of its operations and the changes in its financial position for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Chicago, Illinois

May 26, 1987, except for  
Note C as to which the  
date is September 25, 1987.

*Ernst & Whinney*

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**CHICAGO TRANSIT AUTHORITY SEVEN YEAR FINANCIAL & STATISTICAL SUMMARY 1980-1986  
(IN MILLIONS)**

	1986	1985	1984	1983(a)	1982	1981	1980
<b>Operating Expenses:</b>							
Labor	\$455.1	\$462.1	\$429.5	\$421.6	\$374.3	\$418.0	\$400.9
Material & Supplies	47.9	51.2	43.0	42.0	37.5	38.6	35.3
Fuel	11.8	20.2	21.5	22.4	25.7	29.5	26.0
Power	22.9	20.7	18.8	16.9	14.2	12.7	11.1
Provision for I&D	24.2	15.5	11.0	3.2	10.5	18.2	17.4
Other expenses	44.4	39.3	35.0	37.6	34.9	22.1	23.6
	<b>\$606.3</b>	<b>\$609.0</b>	<b>\$558.8</b>	<b>\$543.7</b>	<b>\$497.1</b>	<b>\$539.1</b>	<b>\$514.3</b>
<b>System Generated Revenue:</b>							
Passenger Fares	\$300.5	\$273.0	\$270.4	\$264.0	\$262.7	\$262.5	\$210.2
Local Govt. Contributions	5.0	5.0	16.8	—	—	—	—
Other Revenue	17.2	17.7	11.8	10.2	8.7	6.9	6.5
	<b>\$322.7</b>	<b>\$295.7</b>	<b>\$299.0</b>	<b>\$274.2</b>	<b>\$271.4</b>	<b>\$269.4</b>	<b>\$216.7</b>
<b>Excess of Expense Over Revenue</b>	<b>\$283.6</b>	<b>\$313.3</b>	<b>\$259.8</b>	<b>\$269.5</b>	<b>\$225.7</b>	<b>\$269.7</b>	<b>\$297.6</b>
<b>Less: Expenses Not Eligible for Public Funding</b>							
Interest on Deferred Pension Contribution	—	—	\$(.5)	—	\$(3.3)	—	—
Accrued Pension Cost	(15.3)	(24.0)	(17.6)	(15.6)	—	—	—
<b>Plus: Non-Operating Items Eligible for Public Funding</b>							
Unanticipated Capital	—	—	1.8	.3	—	—	.2
Revenue Bond Redemption	—	—	—	—	17.4	—	—
Revenue Bond Interest	—	—	—	—	.4	.8	.8
<b>Total Public Funding</b>	<b>\$268.3</b>	<b>\$289.3</b>	<b>\$243.5</b>	<b>\$254.2</b>	<b>\$240.2</b>	<b>\$270.5</b>	<b>\$298.6</b>
<b>Passenger Trips:</b>							
Bus	466.4	486.5	482.2	473.4	467.1	492.6	537.7
Rail	145.3	155.5	153.1	149.7	147.0	150.2	155.4
<b>Total</b>	<b>611.7</b>	<b>642.0</b>	<b>635.3</b>	<b>623.1</b>	<b>614.1</b>	<b>642.8</b>	<b>693.1</b>
<b>Revenue Vehicle Miles:</b>							
Bus	72.3	72.9	73.1	76.5	76.5	78.2	83.4
Rail	46.4	47.7	45.6	46.4	48.2	49.8	49.7
<b>Total</b>	<b>118.7</b>	<b>120.6</b>	<b>118.7</b>	<b>122.9</b>	<b>124.7</b>	<b>128.0</b>	<b>133.1</b>
<b>Active Passenger Equipment:</b> (In Thousands)							
Buses	2.3	2.3	2.3	2.3	2.3	2.4	2.4
Rail Cars	1.3	1.2	1.2	1.2	1.1	1.1	1.1
<b>Total</b>	<b>3.6</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.4</b>	<b>3.5</b>	<b>3.5</b>
<b>Rates of Fare at Year End (b)</b>							
Full Fare:							
Bus	\$.90	\$.90	\$.90	\$.90	\$.90	\$.90	\$.60
Rail	1.00	.90	.90	.90	.90	.90	.60
Reduced Fare:							
Bus	.40	.40	.40	.40	.40	.40	.25
Rail	.50	.40	.40	.40	.40	.40	.25
Transfer:							
Full	.25	.10	.10	.10	.10	.10	.10
Reduced	.15	.10	.10	.10	.10	.10	.05
Monthly Pass:							
Full	46.00	40.00	40.00	40.00	40.00	40.00	30.00
Reduced	23.00	18.00	18.00	18.00	18.00	18.00	N/A
<b>Number of Employees at Year End</b> (In Thousands)	<b>12.6</b>	<b>12.2</b>	<b>12.2</b>	<b>12.1</b>	<b>12.3</b>	<b>12.7</b>	<b>13.5</b>
<b>Top Operator Hourly Wage Rate</b> At Year End	<b>\$13.80</b>	<b>\$13.50</b>	<b>\$13.19</b>	<b>\$13.12</b>	<b>\$13.02</b>	<b>\$12.54</b>	<b>11.87</b>

(a) Fiscal Year 1983 was a 53-week year. All others were 52-week years. (b) Fare changes effective February 9, 1986, July 6, 1981, January 1, 1981.